



DEPARTMENTAL OFFICES

Overview - The Department of the Interior protects and manages the Nation's natural resources and cultural heritage; provides scientific and other information about those resources; and honors trust responsibilities and commitments to American Indians, Alaska Natives, and affiliated island communities.

The Interior Department partners with States, Tribes, local communities, and citizens to deliver a suite of services that promote resource protection, ensure access to resources on the Nation's public lands, provide opportunities for recreation, and honor the special responsibilities of the Secretary of the Interior to American Indians, Alaska Natives, and island communities.

Beginning with the 2004 budget submission, the Department's Payments in Lieu of Taxes program will reside within Departmental Management in order to recognize the government-wide scope of the program.

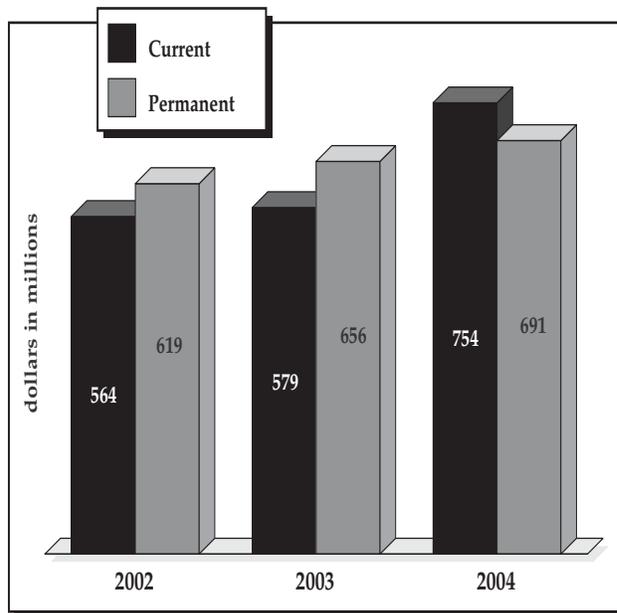
Management Excellence

The Department continues to follow the President's management agenda for a citizen-centered government utilizing the Secretary's Four C's: consultation, cooperation, and communication in the service of conservation. With a goal of efficient and effective delivery of services to citizens, Interior is focusing on management excellence guided by a new strategic plan. The management goals in the plan center on four key principles: customer value, accountability, modernization, and integration.

The Department has drafted a new strategic plan. Completed after a year of consultation with partners and stakeholders, the draft plan presents a unified vision for Interior. That vision is the foundation for an integrated approach to program implementation, management reform, and budget formulation. The 2004 budget aligns with the new strategic plan's four strategic mission components: resource protection, resource use, recreation, and serving communities.

The Departmental Offices principally provide leadership, management, and coordination activities for these

Departmental Offices Funding



responsibilities. They also provide support services used by the bureaus to accomplish their work. These include legal services through the Solicitor's Office and the audits and investigations of the Inspector General.

Within the Departmental Offices are several other significant programs. These include: the Office of Insular Affairs, which provides assistance to insular areas; the Office of the Special Trustee for American Indians, which assists in the management and discharge of the Secretary's responsibilities for trust assets of American Indians; the Natural Resources Damage Assessment and Restoration program, which coordinates Interior's natural resources damage assessment and restoration efforts; and the National Indian Gaming Commission, which regulates certain Indian gaming activities.

Office of the Secretary

Mission - The Office of the Secretary provides the executive level leadership, policy, guidance, and coordination needed to manage the diverse, complex, and nationally

significant programs that are the Department of the Interior's responsibilities.

Program Overview - The Department is comprised of eight bureaus, each with a unique mission. The Department's 2004 budget includes a request of \$10.7 billion to accomplish its mission, and projects the collection of \$7.8 billion in receipts. Its employees are geographically dispersed across the entire United States and include physical and social scientists, historians, architects, engineers, attorneys, trust officers, rangers, law enforcement officers, teachers, and construction and maintenance workers. The Department will issue thousands of leases for oil and gas or geothermal exploration and development; deliver water to 31 million people; maintain and operate over a thousand parks, wildlife refuges, and recreational areas, hosting millions of visitors; and educate over 48,000 Indian children. The Department owns over 34,000 buildings and manages over a half of a billion acres of surface land. Successfully leading such a dynamic organization, while a sizable task, is accomplished with approximately nine-tenths of one percent of Interior's total budget.

The Office of the Secretary provides executive direction for the Interior Department and guides and coordinates all of the administrative activities such as finance, information resources, procurement and property management, human resources, and budgeting. The Office of Hearings and Appeals conducts administrative hearings and appeals.

The majority of activities associated with the Office of the Secretary are funded from the Departmental Management appropriation and are located in Washington, D.C. Field offices, located across the country, are used for work associated with environmental protection; Indian probate; hearings and appeals; indirect cost negotiations; and aircraft services.

The National Business Center provides major administrative systems and services to Interior bureaus and offices and other Federal agencies on a fully reimbursable basis through the Working Capital Fund. The NBC's major business lines include financial management, payroll and personnel, aircraft services, procurement and electronic commerce, web development, quarters management, drug testing, career development and on-line training, information technology and telecommunications, and facilities and property management. The NBC will expand payroll services to other agencies as one of the four government-wide payroll providers selected by the Office of Personnel Management.

Budget Overview - The 2004 budget request for Depart-

mental Management is \$97.1 million, an increase of \$18.0 million over the 2003 President's budget. This budget proposes strategic investments to address important Department-wide needs, including: improved security of information technology systems; implementation of a comprehensive program for workforce management; migration to a new financial and business management system; and improvement of Interior's capacity to evaluate program performance.

Specifically, the budget includes \$1.4 million as part of a Department-wide IT security program to create and maintain a secure environment for systems and data as required by the Computer Security Act of 1987, Clinger-Cohen Act of 1996, and other legislative and administrative mandates. The budget also includes \$13.8 million to begin a multi-year project to replace the Department's financial systems with a single business system that provides access to improved financial and management information; integrates financial, procurement, property and other systems; and results in more efficient and productive operations.

In addition, the budget request provides \$1.0 million for implementation of an effective human capital strategy based on the Department's *Strategic Human Capital Management Plan*. Implementation will address challenges such as those created by the loss of critical skills and knowledge due to anticipated retirements with a Department-wide approach to training and career-development programs, recruitment, orientation, and performance management. An increase of \$605,000 is proposed for a comprehensive, Department-wide approach to improve the accountability and the effectiveness of programs using program performance information and existing external and internal program reviews. The budget proposes \$400,000 to improve the Department's staff capability to manage critical assets such as dams, national monuments, and icons working in collaboration with the Department of Homeland Security. All of these increases are offset by a \$2.9 million decrease that is associated with the one time physical security enhancements for the main and south Interior buildings included in the 2003 budget.

Administrative Initiatives and Uncontrollable Costs –

The Department is undertaking significant information technology reforms to improve the management of IT investments, improve the security of systems and information, and to realize short- and long-term efficiencies and savings. The Department's corporate approach includes consolidated purchases of hardware and software; consolidation of support functions including help desks, e-mail support, web services, and training. The Departmental Management account is reduced by \$540,000 to reflect these management reforms.

The budget includes \$4.3 million to cover a portion of the 2004 uncontrollable costs. The 2004 budget request reflects realignment of the Office of Ethics, shifting \$650,000 from Departmental Management to the Office of the Solicitor. The 2004 budget also reflects completion of the transfer of the Indirect Cost Negotiation Team from the Office of Inspector General to Departmental Management. Initiated in 2003, this realignment assigns responsibility for this Team to the National Business Center and results in the transfer of an additional \$540,000 from the Office of Inspector General to Departmental Management in 2004.

Payments in Lieu of Taxes - The 2004 budget includes \$200.0 million for the Payments in Lieu of Taxes Program. This represents a \$35.0 million increase over the 2003 request level. In 2004, the Department proposes to shift this program from the Bureau of Land Management to Departmental Management. This shift recognizes that PILT payments are made not only for BLM land, but also for lands administered by other agencies, including the National Park Service, Fish and Wildlife Service, and the U.S. Forest Service.

These PILT payments compensate local governments for tax losses to local property tax bases that are sustained because federally owned land cannot be taxed. These lands vary in the extent to which they burden local governments. In light of the importance of PILT payments to the operational vitality of local governments, it is imperative that the PILT distribution formula accurately reflects these impacts. In the coming year, the Department will examine the PILT distribution formula to determine if changes should be proposed to achieve a more equitable distribution of payments to eligible local governments. As part of this ongoing commitment to improve PILT payment distributions, Interior recently signed a memorandum of agreement with the National Association of Counties to continue a strong dialogue with counties about PILT and other issues of importance to counties.

Office of Insular Affairs

Mission - The Office of Insular Affairs' mission is to assist the islands in developing more efficient and effective government by providing financial and technical assistance and to help manage Federal-island relations by promoting appropriate Federal policies.

Budget Overview - The proposed 2004 OIA budget is \$377.0 million, of which \$87.5 million is requested in current appropriations, a \$3.5 million decrease from the 2003 request. The current appropriations request includes \$47.7 million in discretionary funding and \$39.7

million in mandatory funding. An additional \$289.5 million for permanent and indefinite appropriations is estimated for 2004, including \$167.5 million based on legislation to be proposed by the Administration to extend Compact of Free Association financial assistance to the Republic of the Marshall Islands and Federated States of Micronesia for an additional 20 years, grant assistance for Palau, and \$122.0 million for payments to Guam and the Virgin Islands.

Discretionary Funding - In accordance with the Compact of Free Association Act of 1985, the Administration is developing a proposal to renew financial assistance for the Republic of the Marshall Islands and Federated States of Micronesia for an additional 20 years. The original compact provided the freely associated state governments with maximum flexibility in the use of Compact financial assistance, without providing for adequate accountability, controls, and monitoring. The Compact also did not allow for a meaningful oversight role on the part of the Federal government. The legislative proposal will dramatically improve the accountability requirements on the part of the FAS governments and provide for much more onsite monitoring of the grant funding provided by the Federal government. To fulfill these new requirements, OIA will set up a Compact office in Hawaii, as well as station personnel in the U.S. embassies, to monitor the grant funding provided to the FAS. The 2004 President's budget includes an increase of \$820,000 in discretionary funding to support the additional staffing and office requirements needed to monitor the proposed \$167.5 million in grant assistance.

Financial accountability is fundamental to the success of the insular governments in improving their economic situation. Internal assessments by OIA, the General Accounting Office, and Interior's Inspector General have noted the linkage between poor accountability and poor economic improvement. The financial crises in both the U.S. Virgin Islands and American Samoa have led to the implementation of memorandums of agreement between the Department and local governments, implementing mechanisms for improved financial management and long-term fiscal recovery plans.

The 2004 budget reflects a transfer of \$4.6 million in discretionary funding to the Weather Service and the Federal Aviation Administration from the Compact of Free Association Federal Services activity. Since 1987, Insular Affairs has covered the costs of services provided by these agencies through OIA discretionary funding. Transferring the program funding responsibility back to the servicing agencies will allow for greater control and accountability of the those particular services being provided to the insular areas.

Threats to the conservation and management of island ecosystems are another major challenge facing the insular areas. The request includes \$100,000 to begin development of a marine invasive species early warning system.

Current Mandatory Funding - Total funding for the current mandatory activities in 2004 will remain at \$39.7 million. However, the budget proposes changes to the allocation of \$27.7 million covenant grant funds. Compact impact aid of \$5.4 million will be shifted to permanent funding under the modified Compact of Free Association. Additionally, consistent with recent policy to require Federal agencies to assume full costs for their operations and involvement in the CNMI immigration, labor, and law enforcement initiative, the budget proposes a reduction of \$160,000. The total reductions allow for the reallocation of \$5.0 million to Virgin Islands construction to meet federally mandated wastewater improvements and \$580,000 to disaster assistance.

Permanent and Indefinite Funding - The 2004 estimate for permanent and indefinite funds is \$289.5 million, including approximately \$167.5 million for the legislation to be proposed by the Administration to modify the Compact of Free Association, grant assistance for Palau, and \$122.0 million for payments to Guam and the Virgin Islands. Without legislation to either extend or modify the Compact, there will be no funding for the Federated States of Micronesia and very limited funding for the Marshall Islands. If there is an extension of current services in the absence of a modified Compact, the funding level would be \$148.5 million. The proposed modified Compact, being negotiated by the State Department, will provide approximately \$151.5 million in grant assistance to the Federated States of Micronesia and the Republic of the Marshall Islands, and \$15.0 million in impact aid for the State of Hawaii and the U.S. Pacific Island territories affected by the immigration provision of the Compact. The Compact will also provide \$1.0 million in audit funding for the Freely Associated States.

Office of the Solicitor

Mission - The Office of the Solicitor's mission is to provide high quality legal services to the Secretary and Interior's offices and bureaus.

Program Overview - The Solicitor's Office attorneys provide legal advice and counsel to all areas of the Department in order to ensure that Interior's programs and initiatives are carried out in a manner consistent with applicable law and regulations. They prepare formal legal opinions; review draft legislation, regulations, contracts, and other documents; and provide informal legal advice in a wide variety of circumstances. In addition, the

attorneys represent Interior in administrative litigation and assist the Department of Justice with judicial litigation involving the Department. The Office's headquarters is located in Washington, D.C.; 18 regional and field offices are located throughout the United States.

Budget Overview - The Solicitor's 2004 budget request is \$50.4 million, an increase of \$2.6 million over the 2003 President's budget. This amount includes \$1.0 million for the Department's Ethics Office, which is transferring from the Office of the Secretary to the Office of the Solicitor. The Ethics Office will transfer intact to the Office of the Solicitor as a separate branch reporting directly to the Solicitor. The amount also includes an increase of \$1.7 million to cover uncontrollable costs and a net decrease of \$100,000 in the Office's 2004 information technology requirements.

Office of Inspector General

Mission - The Office of Inspector General promotes excellence in the programs, operations, and management of the Department of the Interior.

Program Overview - The OIG is the Department's focal point for reviewing the integrity of Departmental programs and operations. It is responsible for objectively and independently assessing major issues that directly impact, or could impact, Interior's ability to accomplish its mission and for keeping the Secretary and the Congress fully and currently informed about problems and deficiencies relating to the administration of the Department's programs. The OIG accomplishes its mission by conducting, supervising, and coordinating audits and investigations of Interior programs and operations. The OIG headquarters is located in Washington, D.C., with field offices and staff in locations across the continental United States, the U.S. Virgin Islands, and Hawaii.

Budget Overview - The 2004 budget request for the OIG is \$39.0 million. This level of funding includes an increase of \$1.1 million to cover uncontrollable costs, and \$2.1 million for audits and investigation activities relating to the top management challenges, program integrity reviews, and increased requests for investigations and audits from Congress and the Department.

In addition, the OIG budget request includes a reduction of \$210,000 to reflect the full year effect of the January 1, 2003 transfer of the Indirect Cost Rate Negotiation function to the Office of the Secretary. Due to changes in the government auditing standards, which took effect January 1, 2003, OIG was required to divest itself of negotiating indirect cost rates associated with grants and contracts awarded to the Tribes, insular areas, and State

governments. The Department's National Business Center is now responsible for carrying out this function.

Office of the Special Trustee for American Indians

Mission - The Office of the Special Trustee for American Indians oversees and coordinates Indian trust asset reform efforts Department-wide to ensure the oversight and establishment of policies, procedures, systems, and practices that allow the Interior Department to effectively discharge its trust responsibilities. The OST has operating responsibility for financial trust fund management, including investment, collection, and disbursement of Indian trust funds. Additional trust functions of the Department are carried out by the Bureau of Land Management, Minerals Management Service, Bureau of Indian Affairs, Office of Hearings and Appeals, and Office of Historical Trust Accounting.

Program Overview - The Office of the Special Trustee manages \$2.8 billion of funds held in 1,400 trust accounts for roughly 290 Indian Tribes and about 230,000 open accounts for individual Indians. The balances of funds that have accumulated in the Indian trust accounts are derived from various sources, including payments for land cessions by treaty; proceeds from sales of land under confiscatory acts of Congress; proceeds from sales and leases of tribal lands and natural resources uses such as mining, timber, and grazing; judgment awards made by the Indian Claims Commission and the U.S. Claims Court; monies appropriated to fund legislative settlements; and interest on trust fund investments.

The Interior Department is carrying out a comprehensive and systematic plan to reform the management of its trust responsibilities. This comprehensive effort has been described in the quarterly reports provided to the U.S. District Court in *Cobell v. Norton*. The comprehensive plan and the processes it contains will be used to identify and implement the changes necessary in Interior's current accounting systems. The primary elements of this ongoing effort are: 1) the reorganization of Interior trust offices to improve delivery of services, effectiveness, and accountability of trust operations, and 2) the reengineering of Interior's business processes and universal support functions to ensure that the Department meets its trust goals and objectives.

Interior evaluated its trust-related organizations and, after a lengthy consultation process with Tribes and individual Indians, determined that a different structural alignment of its organizational functions is required. The Office of the Special Trustee will continue to retain oversight responsibilities of fiduciary trust asset management, continue managing financial assets, and certain

reform projects. The OST will have additional operating authority including line authority over regional trust administrators and trust officers. These are new positions within the Interior Department and will be filled by skilled trust administrators or staff trained for these responsibilities. A field staff of four to six trust administrators will be centrally located in Indian country and will oversee a staff of trust officers and trust account managers in field locations.

On January 6, 2003 the Department submitted the *Fiduciary Obligations Compliance Plan* to the U.S. District Court, in compliance with a September 17, 2002 Court order that the Department of the Interior submit a plan showing how it intends to bring itself into compliance with certain fiduciary obligations that it owes to individual Indian money account holders in accounting to them for its management of their IIM trust funds. The plan describes an ongoing trust reform planning and implementation process in which Interior is currently engaged.

Also submitted to the Court on January 6, 2003, was the *Historical Accounting Plan For Individual Indian Money Accounts*. The plan addresses the process to conduct a historical accounting for about 260,000 IIM accounts as directed by the Court.

The reengineering of Interior's trust business processes consists of two basic phases: an "As-Is" documentation of those processes and the development of a "To-Be" process model that will then be implemented in accordance with Interior's strategic plan for trust reform.

Budget Overview - The 2004 request for OST is \$274.6 million. The request for the OST account reflects an 82 percent increase in funds above the 2003 President's budget. This robust increase provides additional funding for trust operations, reform activities, and historical accounting. The 2004 request for the Office of Historical Trust Accounting is \$130.0 million, an increase of \$112.5 million over the 2003 level. This substantial increase provides the added resources to conduct additional historical accounting beyond those accounts undertaken in 2002 and 2003 for both tribal and IIM accounts. These additional funds will provide for the reconciliation of an additional 15,000 judgment and per capita IIM accounts; reconciliation of an additional 200,000 transactions related to land-based IIM accounts; and resolve the proper ownership of the balances of 5,000 inactive special deposit accounts, distributing funds to the appropriate owners and closing these administrative accounts.

A key aspect of implementing the reorganization is an increase of \$15.0 million in funding for new trust officers in field locations that will provide oversight of trust

fiduciary responsibilities as part of the overall reorganization of trust responsibilities in BIA and OST. The OST has been given the direction to expand its operational role in addition to its statutory oversight duties. As a result, OST will develop a regional and agency presence to ensure that trust standards are followed in the management of these assets and will retain the responsibility for financial asset management. The trust officers will be collocated with BIA agencies where space is available or located in near proximity to the agencies, and will work closely with agency staff in charge of resource management. The trust officers will be the first line of contact for tribal and individual beneficiaries for issues related to their ownership and use of trust assets. The reorganization also realigns the risk management and audit programs within OST and places responsibility for some of the accountability and management control review and reporting within OST offices. The cost of the new trust administrator positions is partially offset by a decrease of \$5.0 million for risk management.

The 2004 request provides a total of \$20.4 million, an increase of \$7.0 million above the 2003 level, for an expanded records and litigation support program. Based on a reassessment of the resource requirements needed to adequately administer, manage, search, retrieve, and store extensive trust records, expanded records management activities will be provided. As OHTA continues historical accounting activity, an additional \$1.5 million is needed in order to search for and provide the appropriate records for this accounting. Continued inventorying and indexing of the 80,000 current boxes of records will require an additional \$2.0 million. Training on records management for compacted and contracted Tribes will be provided at a cost of \$500,000, and an imaging pilot for historical records will be initiated for \$500,000. An increase of \$2.5 million is requested to reimburse the Court for mandated Special Master, associated contractors, Special Master-Monitor, and to produce voluminous amounts of documents, e-mails, and records, contractors to index, image and sort documents, and hire attorneys to assist the Department in litigation. Due to the uncertainty of these proceedings, supplemental appropriations have been provided in past years to meet these growing requirements. It is estimated that *Cobell v. Norton*, as well as numerous tribal lawsuits to address alleged mismanagement and accounting errors will continue in 2004.

The 2004 budget request reflects full ongoing operational status of the trust funds accounting system. The requested program increase provides \$1.5 million, for a total of \$18.9 million to continue improvements to financial services to beneficiaries through trust funds accounting system operations. Additional funds in the amount of \$600,000 are also included as part of the Interior-wide

effort to address the expanded requirements of information technology security.

As the implementation of trust reform continues, some projects will continue with moderate revisions, other projects will be subject to major re-evaluation and rigorous planning and design specification before further implementation, especially as it relates to major IT systems projects. Decreases of \$6.5 million are reflected in current year estimated requirements for trust systems development and probate contracting as new processes are being developed to provide long-term solutions to trust asset management business systems approaches.

The Department is undertaking significant information technology reforms to improve the management of IT investments, improve the security of systems and information, and realize short- and long-term efficiencies and savings. The Department's corporate approach includes consolidated purchases of hardware and software; consolidation of support functions including help desks, e-mail support, and web services; and coordination of training. The OST budget includes a reduction of \$500,000 in 2004 to reflect these management reforms.

As the Department completes the "As-Is" process, and fully implements the reorganization, revisions to aspects of this request may be proposed.

The Indian Land Consolidation program, which acquires small ownership shares in allotted lands, is a key component in trust reform and management. This program is funded under BIA in 2004.

Natural Resource Damage Assessment and Restoration Program

Mission - Appropriations and recoveries to the Restoration program enable the Department to identify, evaluate, and conduct damage assessments of natural resource injuries resulting from oil spills and hazardous substance releases under its resource protection mission. This includes improving the health of watersheds, landscapes, and marine resources and sustaining biological communities. Damage assessment activities identify and quantify the injuries, and form the basis for legal action against the responsible parties, which usually result in negotiated legal settlements. Restoration activities are either carried out or funded by the responsible parties as compensation for the injury to natural resources, and may include the replacement and protection of affected resources, acquisition of equivalent resources and services, and long-term environmental monitoring. These actions are taken on behalf of the public and in partnership with other natural resource trustees, including States, Tribes,

and other Federal agencies. Responsible parties are given an opportunity to participate in the assessment and restoration process by way of cooperative agreements.

Program Overview - The Restoration program is a Departmental program that draws upon the interdisciplinary strengths of its various bureaus and offices. The program has three principal components: restoration; natural resource damage assessment; and program management. Restoration of damaged lands and resources is the primary focus of the Restoration program. Damage assessment activities are used to ascertain injuries to natural resources, and restoration settlements provide the means to implement appropriate actions to restore and protect those resources for present and future generations. Program management provides coordination and direction, and oversees implementation of actions to facilitate the completion of assessments and restorations in a consistent manner.

The program works closely with conservation partners to enhance restoration success by utilizing their expertise and potential to leverage funding. The program is also utilizing the Secretary's Four C's to identify and resolve issues with industry, trade associations, and stakeholders that are of mutual concern and impediments to restoration.

Budget Overview - The 2004 budget for the Restoration program totals \$54.6 million including \$49.0 million in permanent appropriations. For current appropriations, \$5.6 million is requested, an increase of \$95,000 over the 2003 President's budget to cover uncontrollable costs. The \$5.6 million request includes \$3.9 million for damage assessment projects, \$1.4 million for program management activities, and \$250,000 for restoration support.

The funding level of \$49.0 million for permanent appropriations represents the anticipated amount of settlement receipts to be recovered in settled damage assessment cases in 2004. These receipts are used exclusively by

Trustees for restoration of damaged lands and resources or for reimbursement of past assessment costs.

National Indian Gaming Commission

Mission - The National Indian Gaming Commission monitors and regulates gaming activities conducted on Indian lands for the purpose of shielding Indian Tribes from organized crime and other corrupting influences. It also ensures that Indian Tribes are the primary beneficiaries of gaming revenues and that gaming is conducted fairly and honestly by both operators and players.

Program Overview - The Commission monitors gaming activity, inspects gaming premises, conducts background investigations, audits and reviews financial records of gaming operations, and undertakes enforcement actions when necessary. The NIGC issues regulations necessary to meet its responsibilities under the Indian Gaming Regulatory Act, and provides oversight to over 300 tribally owned, operated, or licensed gaming establishments operating in 28 States. Operating costs of the Commission are financed through annual assessments of gaming operations regulated by the Commission.

When the NIGC was created in 1988, Indian gaming was a \$100 million per year industry, and the agency operated on a \$2.5 million budget. Now the industry consists of over 300 gaming operations with an additional 23 gaming operations expected to open in California in the near future. The Indian gaming industry currently generates approximately \$13 billion per year.

Budget Overview - The 2004 request proposes to amend the Commission's current limitation on assessments to enable the amount of fees collected to fluctuate with the number of Indian gaming operations and the total revenues generated by the industry. When the new assessment structure is fully implemented, the Commission will have the necessary resources to carry out its mission without increasing the burden on individual Tribes.

SUMMARY OF BUREAU APPROPRIATIONS
(all dollar amounts in thousands)

Comparison of 2004 Request with 2003 President's Budget:

	2003 Budget		2004 Request		Change from 2003	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriations						
Departmental Management	425	79,164	423	97,140	-2	+17,976
Payments in Lieu of Taxes	1	165,000	1	200,000	0	+35,000
Priority Federal Land Acquisitions & Exchanges	0	3,000	0	0	0	-3,000
Assistance to Territories	36	70,217	40	71,343	+4	+1,126
Compact of Free Association	0	20,745	0	16,125	0	-4,620
Office of the Solicitor	358	47,773	363	50,374	+5	+2,601
Office of Inspector General	257	36,091	268	39,049	+11	+2,958
Office of Special Trustee for American Indians ...	470	151,027	565	274,641	+95	+123,614
Natural Resource Damage Assessment	4	5,538	4	5,633	0	+95
National Indian Gaming Commission	8	2,000	0	0	-8	-2,000
Subtotal, Appropriations	1,559	580,555	1,664	754,305	+105	+173,750
Permanents and Other						
Working Capital Fund	1,036	0	1,097	0	+61	0
Payments to U.S. Territories, Fiscal Assistance ...	0	122,000	0	122,000	0	0
Compact of Free Association	0	146,355	0	148,543	0	+2,188
Net Compact of Free Association -						
Legislative Proposal Adjustment	0	0	0	19,000	0	+19,000
Payment for Trust Accounting Deficiencies	0	6,700	0	0	0	-6,700
OST - Tribal Special Funds	0	261,912	0	274,510	0	+12,598
OST - Tribal Trust Fund	0	74,428	0	78,008	0	+3,580
Natural Resource Damage Assessment	0	44,126	0	49,000	0	+4,874
National Indian Gaming Commission	67	7,900	90	8,400	+23	+500
Allocation Account	53	0	49	0	-4	0
Reimbursements - Departmental Management ...	84	0	78	0	-6	0
Reimbursements - Office of the Solicitor	50	0	56	0	+6	0
Reimbursements - Office of Special Trustee	65	0	65	0	0	0
Subtotal, Other Accounts	1,355	663,421	1,435	699,461	+80	+36,040
TOTAL, DEPARTMENTAL OFFICES	2,914	1,243,976	3,099	1,453,766	+185	+209,790

HIGHLIGHTS OF BUDGET CHANGES
By Appropriation Activity/Subactivity

APPROPRIATION: Departmental Management

	<u>2002 Actual</u>	<u>2003 Budget</u>	<u>2004 Request</u>	<u>Change from 2003 Budget</u>
Departmental Direction	12,964	13,405	13,524	+119
Management and Coordination	25,425	27,024	30,322	+3,298
Hearings and Appeals	8,039	8,198	8,280	+82
Central Services	20,333	26,429	27,070	+641
USBM & DOL Workers Comp Costs	884	4,108	4,108	0
Financial Mgt. Syst. Migration Proj.	0	0	13,836	+13,836
TOTAL APPROPRIATION	67,645	79,164	97,140	17,976

Highlights of Budget Changes

	<u>Amount</u>
Uncontrollable Costs	[+4,862]
Departmental Direction	+119
<p>The budget includes a reduction of \$45 for Information Technology services streamlining. Uncontrollable costs total \$315 of which \$164 are budgeted and \$151 are absorbed.</p>	
Management and Coordination	+3,298
<p>In order to coordinate a multi-million dollar Department-wide effort to bring information systems into compliance with accepted security requirements, an increase is requested in the Office of the Chief Information Officer (+\$1,444).</p> <p>The budget request includes an increase in the Office of Personnel Policy for implementation of an effective human capital strategy based on the <i>Department's Strategic Human Capital Management Plan</i>. Implementation will address challenges such as those created by the loss of critical skills and knowledge due to anticipated accessions with a Department-wide approach to training and career-development programs, recruitment, orientation, and performance management (+\$1,000).</p> <p>An increase is proposed in the Office of Planning and Performance Management to develop a comprehensive, Department-wide approach to improve the accountability and the effectiveness of Interior's programs using program performance information and existing external and internal program reviews (+\$605).</p> <p>The budget also includes an increase in the Office of Law Enforcement and Security to improve the Department's staff capability to manage Interior's critical assets such as dams, national monuments, and icons working in collaboration with the Department of Homeland Security (+\$400).</p> <p>The 2004 budget reflects the realignment of the Office of Ethics to the Office of the Solicitor (-\$591) and the remainder of the full year cost of the Indirect Cost Negotiation Team which was transferred from the Office of the Inspector General in the second quarter of 2003 (+\$210).</p> <p>The budget includes a reduction of \$138 for Information Technology services streamlining. Uncontrollable costs total \$710 of which \$369 are budgeted and \$341 are absorbed.</p>	
Hearings and Appeals	+82
<p>The budget includes a reduction of \$42 for Information Technology services streamlining. Uncontrollable costs total \$238 of which \$124 are budgeted and \$114 are absorbed.</p>	
Central Services	+641
<p>The 2003 budget included a request for security enhancements for the main Interior building. The enhancements included a new employee security access control system, a public address system, and protective coating for the windows. Because this was a one-time requirement no additional funding is requested in 2004 (-\$2,900).</p> <p>The request includes the transfer of space costs for the Ethics function that is being transferred to the Office of the Solicitor (-\$59).</p> <p>Uncontrollable costs total \$3,600, including a reduction of \$315 for Information Technology services streamlining.</p>	
Financial Management System Migration Project	+13,836
<p>The budget includes funds to begin a multi-year project to replace the Department's financial systems with a single business system that provides access to improved financial and management information; integrates financial, procurement, property and other systems; and results in more efficient and productive operations (+\$13,836).</p>	

APPROPRIATION: Payments in Lieu of Taxes

	<u>2002 Actual</u>	<u>2003 Budget</u>	<u>2004 Request</u>	<u>Change from 2003 Budget</u>
TOTAL APPROPRIATION	210,000	165,000	200,000	+35,000

Highlights of Budget Changes

	<u>Amount</u>
Payments in Lieu of Taxes	+35,000

The 2004 budget includes \$200,000 for PILT, a \$35,000 increase over the 2003 request level. The 2004 budget proposes to shift the program from BLM to the Office of the Secretary in recognition of the fact that PILT payments are made not only for BLM lands, but also for lands administered by others, including NPS, FWS, and the U.S. Forest Service.

In 2004, the Department will examine the PILT distribution formula to determine if changes are necessary to achieve a more equitable distribution of payments to eligible local governments.

APPROPRIATION: Federal Priority Land Acquisitions and Exchanges

	<u>2002 Actual</u>	<u>2003 Budget</u>	<u>2004 Request</u>	<u>Change from 2003 Budget</u>
TOTAL APPROPRIATION	0	3,000	0	-3,000

Highlights of Budget Changes

	<u>Amount</u>
Priority Federal Land Acquisitions and Exchanges	-3,000

The 2003 budget included funds for the settlement of the water claims of the Shivwits Band of the Paiute Indian Tribe of Utah. Public Law 106-263 specifies the use of the Land and Water Conservation Fund for implementation of the water rights and habitat acquisition program. Because this was a one-time requirement no additional funding is requested in 2004 (-\$3,000).

APPROPRIATION: Assistance to Territories

	<u>2002 Actual</u>	<u>2003 Budget</u>	<u>2004 Request</u>	<u>Change from 2003 Budget</u>
American Samoa				
Operations Grants	23,100	23,100	23,100	0
Northern Marianas				
Covenant Grants (Mandatory)	27,720	27,720	27,720	0
Territorial Assistance				
Office of Insular Affairs	4,528	5,295	6,321	+1,026
Technical Assistance	16,961	7,461	7,561	+100
Maintenance Assistance Fund	2,300	2,300	2,300	0
Brown Tree Snake	2,350	2,350	2,350	0
Insular Management Controls	1,491	1,491	1,491	0
Coral Reef Initiative	500	500	500	0
Subtotal, Territorial Assistance	28,130	19,397	20,523	+1,126
TOTAL APPROPRIATION	78,950	70,217	71,343	1,126

Highlights of Budget Changes

Uncontrollable Costs	<u>Amount</u> [+261]
Northern Mariana Covenant Grants (Mandatory)	0
<p>The budget proposes changes to the allocation of Covenant Grant funds. Compact impact aid of \$5,420 will be shifted to permanent funding under the modified Compact of Free Association. Additionally, there is a reduction of \$160 for the CNMI immigration, labor, and law enforcement initiative as other agencies assume their full costs for this initiative. The total reductions allow for the reallocation of \$5,000 to Virgin Islands construction to address violations of the Clean Water Act and \$580 to disaster assistance.</p>	
Office of Insular Affairs	+1,026
<p>The budget proposes an increase (+\$820) to support the additional staffing and office requirements that are needed for the new Compact Office to provide the additional oversight of grant funding that will be required in the modified Compact of Free Association. This funding level includes streamlining and management savings in information technology. Uncontrollable increases total \$261 of which \$206 is budgeted and \$55 is absorbed.</p>	
Technical Assistance	+100
<p>The budget proposes an increase (+\$100) to begin development of a marine invasive species early warning system.</p>	

APPROPRIATION: Compact of Free Association

	<u>2002 Actual</u>	<u>2003 Budget</u>	<u>2004 Request</u>	<u>Change from 2003 Budget</u>
Compact of Free Association	7,354	7,354	2,734	-4,620
Mandatory Payments	14,500	12,000	12,000	0
Enewetak Support	1,391	1,391	1,391	0
TOTAL APPROPRIATION	23,245	20,745	16,125	-4,620

Highlights of Budget Changes

Federal Services	<u>Amount</u> -4,620
<p>The budget proposes a transfer of funding (-\$4,620) to the Weather Service and the Federal Aviation Administration for services they provide to the insular areas.</p>	

APPROPRIATION: Office of the Solicitor

	<u>2002 Actual</u>	<u>2003 Budget</u>	<u>2004 Request</u>	<u>Change from 2003 Budget</u>
Legal Services	37,254	38,432	39,911	+1,479
General Administration	7,719	9,341	9,418	+77
Ethics	0	0	1,045	+1,045
TOTAL APPROPRIATION	44,973	47,773	50,374	+2,601

Highlights of Budget Changes

Uncontrollable Costs	<u>Amount</u> [+1,675]
Legal Services	+1,479
Uncontrollable changes total \$1,479.	
General Administration	+77
A net decrease of \$119 is included for the Office's information technology (IT) infrastructure requirements and IT security, and an increase of \$196 for uncontrollable costs.	
Ethics	+1,045
An amount of \$650 is associated with the costs of transferring the Department's Ethics function to the Office of the Solicitor. An increase of \$395 is requested for additional positions and IT improvements required to meet the needs of managing information for purposes of enforcement and full automation of the public and confidential financial disclosure reporting system.	

APPROPRIATION: Office of Inspector General

	<u>2002 Actual</u>	<u>2003 Budget</u>	<u>2004 Request</u>	<u>Change from 2003 Budget</u>
Audit	14,849	15,402	16,480	+1,078
Contracted CFO Audits	3,812	3,812	3,812	0
Investigations	6,763	7,266	8,176	+910
Program Integrity	1,457	1,496	2,155	+659
Policy & Management	7,402	8,115	8,426	+311
TOTAL APPROPRIATION	34,283	36,091	39,049	+2,958

Highlights of Budget Changes

Uncontrollable Costs	<u>Amount</u> [+1,063]
Office of Inspector General	+2,958
The FY 2004 budget includes an increase of \$1,895 for 18 FTEs for OIG's major program activities: the Offices of Audits, Investigations, and Program Integrity. This request targets getting experienced staff to work on some of the most complex and challenging issues facing the Department today, such as: administration of revenue generating activities; management and oversight over grants/contracts/procurement activities; security over information systems; management, restoration and protection of water resources and public lands; Indian education and school construction; and management of DOI Funds by the Insular Areas. These funds would also be targeted at getting entry-level staff into the organization to reduce the likelihood of what could be a catastrophic loss of experience and institutional knowledge in only a few years. Uncontrollable costs are funded at \$1,063.	

APPROPRIATION: Office of the Special Trustee for American Indians

	<u>2002 Actual</u>	<u>2003 Budget</u>	<u>2004 Request</u>	<u>Change from 2003 Budget</u>
Federal Trust Programs				
Executive Direction	2,496	2,781	2,275	-506
Program Ops, Support, & Improvements	96,728	148,246	272,366	+124,120
TOTAL APPROPRIATION	99,224	151,027	274,641	+123,614

Highlights of Budget Changes

	<u>Amount</u>
Uncontrollable Costs	[+1,110]
Executive Direction	-506
<p>A decrease in funding as a result of realignment of some general operations costs (-\$534) to other programs will be provided. Uncontrollable costs are funded at \$28.</p>	

Program Operations, Support, and Improvements	+124,120
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Net increases in funding for trust operations and reform activities includes a substantial increase in efforts to expand the historical accounting beyond those accounts undertaken in 2002 and 2003 of both tribal and IIM accounts as part of a long term effort. Funds will provide for the reconciliation of more than 15,000 additional Judgement and Per Capita IIM accounts; reconciliation of more than 180,000 transactions related to land-based IIM accounts; and resolve the proper ownership of the balances in 5,000 inactive Special Deposit accounts, distributing funds to the appropriate owners and closing these administrative accounts (+\$112,500). New trust officers in field locations will provide proper oversight of trust fiduciary responsibilities as part of the overall reorganization of trust responsibilities in BIA and OST (+\$15,000). The reorganization also realigns the risk management and audit programs within OST and places responsibility for some of the accountability and management control review and reporting within OST offices. This realignment provides a partial offset for some of the costs of the new trust administrator positions (-\$5,000).

Increased document and records searches, retrieval, and storage will be provided to assist historical accounting and day-to-day records management responsibilities (+\$4,500). Ongoing litigation support to address long standing deficiencies, as well as numerous tribal lawsuits will be supported as well as costs for court fees, attorney's costs, storage of records, and continued significant document production and related costs (+\$2,500).

Additional contractor support of trust accounting systems will provide for additional IIM trust accounts to be maintained (+\$1,500). These increases are partially offset by current year decreases in trust systems development and probate contracting as new processes are being developed to provide long term solutions to trust asset management business systems approaches (-\$6,500). The budget also includes a reduction of funds (-\$530) for Information Technology services streamlining, for the estimated IT savings as a result of Department-wide, corporate approaches to mass buys and network initiatives, consolidation of web services, mail outsourcing, and consolidated training approaches. Other reductions for one time costs of implementation of lock box system (-\$399), institutionalization and implementation of workforce planning activities Department-wide (\$-500). Uncontrollable costs are funded at \$531.

Total uncontrollable costs are \$1,110 of which \$559 are budgeted and \$551 are absorbed.

APPROPRIATION: Natural Resource Damage Assessment and Restoration

	<u>2002 Actual</u>	<u>2003 Budget</u>	<u>2004 Request</u>	<u>Change from 2003 Budget</u>
Damage Assessments	4,165	3,927	3,933	+6
Program Management	1,332	1,361	1,450	+89
Restoration Support	0	250	250	0
TOTAL APPROPRIATION	5,497	5,538	5,633	+95

Highlights of Budget Changes

	<u>Amount</u>
Uncontrollable Costs	[+\$100]
Natural Resource Damage Assessment and Restoration	+95
<p>The budget includes a reduction of \$5 for Information Technology services streamlining. Uncontrollable costs total \$100.</p>	

APPROPRIATION: National Indian Gaming Commission

	<u>2002 Actual</u>	<u>2003 Budget</u>	<u>2004 Request</u>	<u>Change from 2003 Budget</u>
TOTAL APPROPRIATION	0	2,000	0	-2,000

Highlights of Budget Changes

	<u>Amount</u>
Uncontrollable Costs	[0]
National Indian Gaming Commission	-2,000

In lieu of requesting appropriated funds in 2004 to cover operating cost shortfalls being experienced due to limitations on fee collections, the budget includes a request to amend the Commission's current limitation on assessments to enable the total amount of fees collected to fluctuate with the number of Indian gaming operations and the total revenues generated by the industry.

The limitation on fees assessed per gaming establishment will remain unchanged. Funds generated under the new assessment structure will provide the Commission with the necessary resources to carry out its mission without increasing the burden on individual Tribes (-\$2,000).